

Yukon Liquor Corporation

ANNUAL REPORT

April 1, 2009 - March 31, 2010



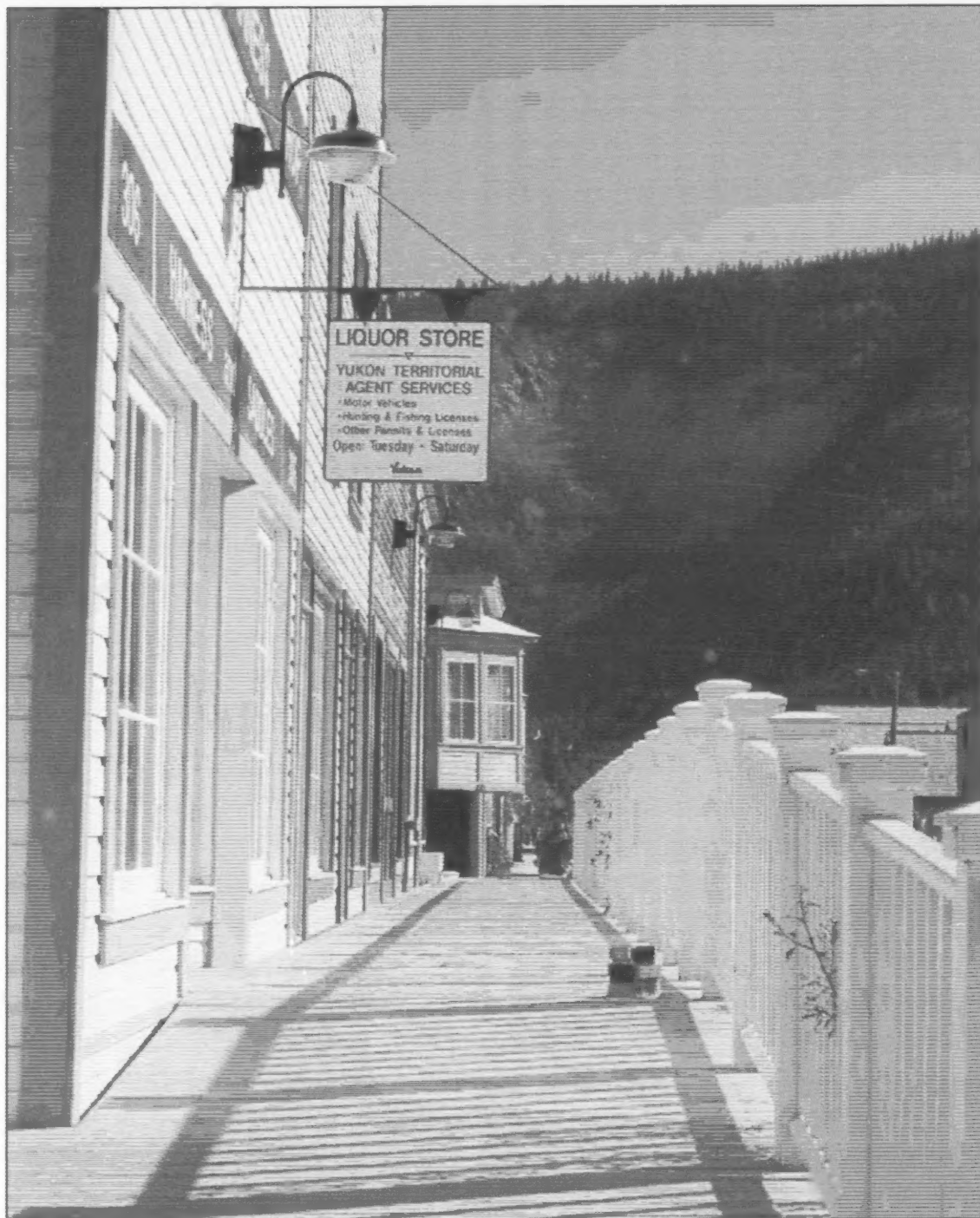


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Photos by Government of Yukon

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LETTER OF TRANSMITTAL



The Honourable Jim Kenyon
Minister Responsible for the Yukon Liquor Corporation
Government of Yukon

November 2010



Dear Minister Kenyon,

I have the honour to present you with the Annual Report of the Yukon Liquor Corporation for the fiscal year ended March 31, 2010.

Respectfully submitted,

Ron MacMillan
President
Yukon Liquor Corporation





CORPORATE PLAN

Our Mandate

Yukon Liquor Corporation is responsible for the purchase, distribution, and sale of liquor products in the Yukon.

Our Vision

Liquor products are enjoyed in a safe, legal, and socially responsible manner.

Our Purpose

- To purchase a range of liquor products and make them available to consumers, and to regulate the sale and consumption of liquor products.

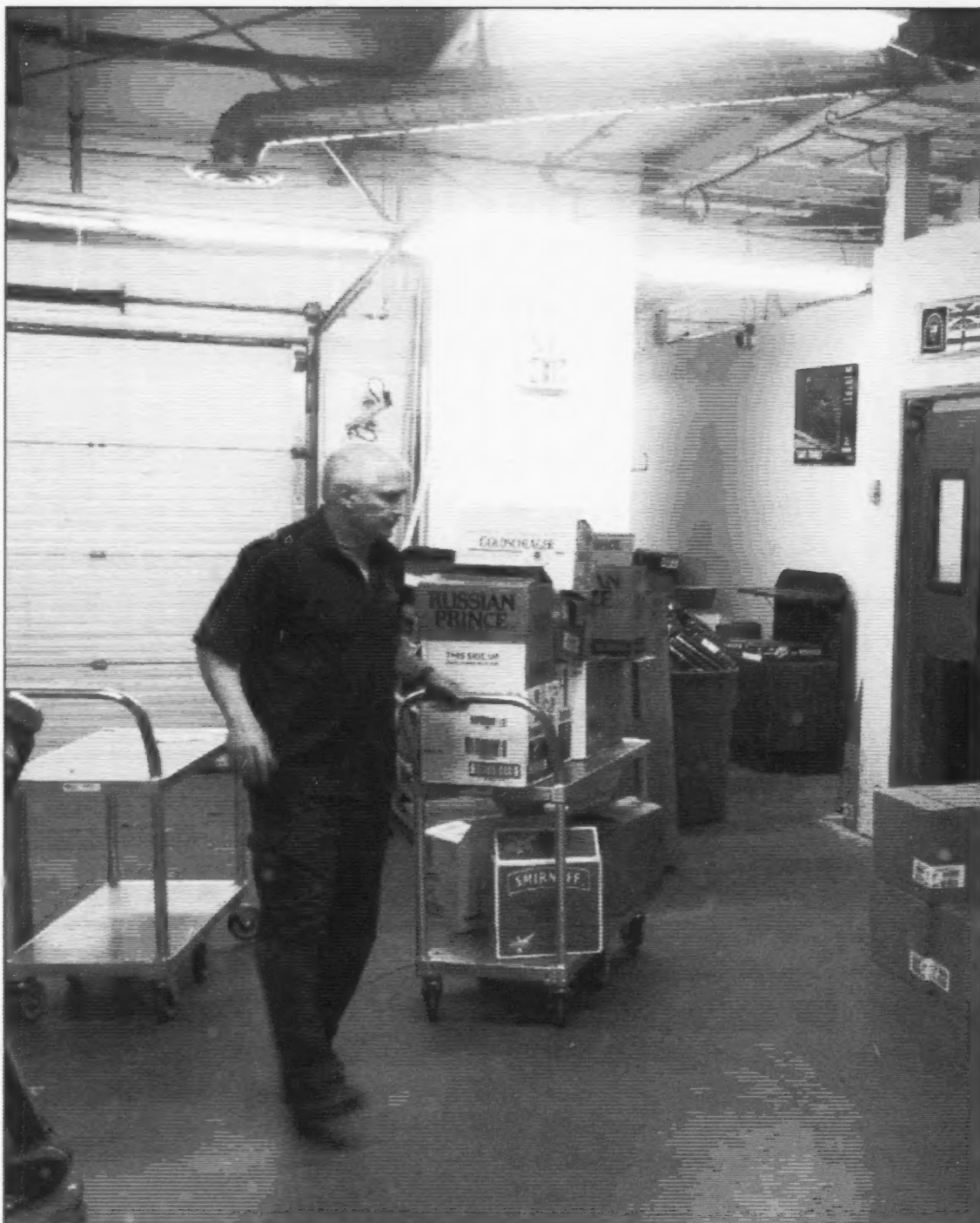
Our Values

- We actively engage staff and customers, supporting and encouraging actions that are fair, responsible, respectful, and consistent.
- We involve and inform customers and staff in the issues and decisions of the Corporation, using a participative management style.
- We provide excellent service to customers.
- We strive to be an environmentally-conscious organization that limits its carbon footprint.

Our Strategic Goals

- We ensure availability and variety of products to meet customer demand.
- We regulate the sale and consumption of liquor products, and promote and enforce their legal and socially responsible sale and service.
- We optimize the net proceeds to government realized from the sale and control of liquor.
- We provide timely and efficient access to specific government services on behalf of other government departments in rural communities with a liquor store.
- We support the return and recycling of beverage containers, where necessary.











OVERVIEW

General

Yukon Liquor Corporation operates a central warehouse and distribution centre in Whitehorse, and six Yukon Liquor Stores. The five rural liquor stores also provide specific Territorial Agent services on behalf of other government departments.

The Corporation transfers all its net income to the Government of Yukon. It is responsible for the *Liquor Act* and *Liquor Regulations*. In addition, the Corporation collects and remits a 12% tax on the retail value of all liquor products sold in the Yukon, as required by the *Liquor Tax Act*. In 09/10, these transfers to the Government of Yukon totaled \$11.2 million.

Yukon Liquor Board

The Board is responsible for licensing decisions, and for hearing appeals of license suspensions, barrings, and permit refusals. Administration of the Corporation is the responsibility of the President, directed by the Minister.

Currently, the Board has five members, appointed by Cabinet. The Board meets monthly, with additional meetings scheduled as required. Support to the Board is provided by the Licensing & Social Responsibility and Program Support branches.

Corporation

The Corporation has four branches: Purchasing & Distribution; Retail Sales & Territorial Agent Services; Licensing & Social Responsibility; and Program Support. In 09/10, Yukon Liquor Corporation also accessed shared services from a Corporate Services unit in Yukon Housing Corporation, which reports directly to the President, in the areas of Human Resources, Finance & Systems, and Policy & Communications.



Purchasing & Distribution Branch

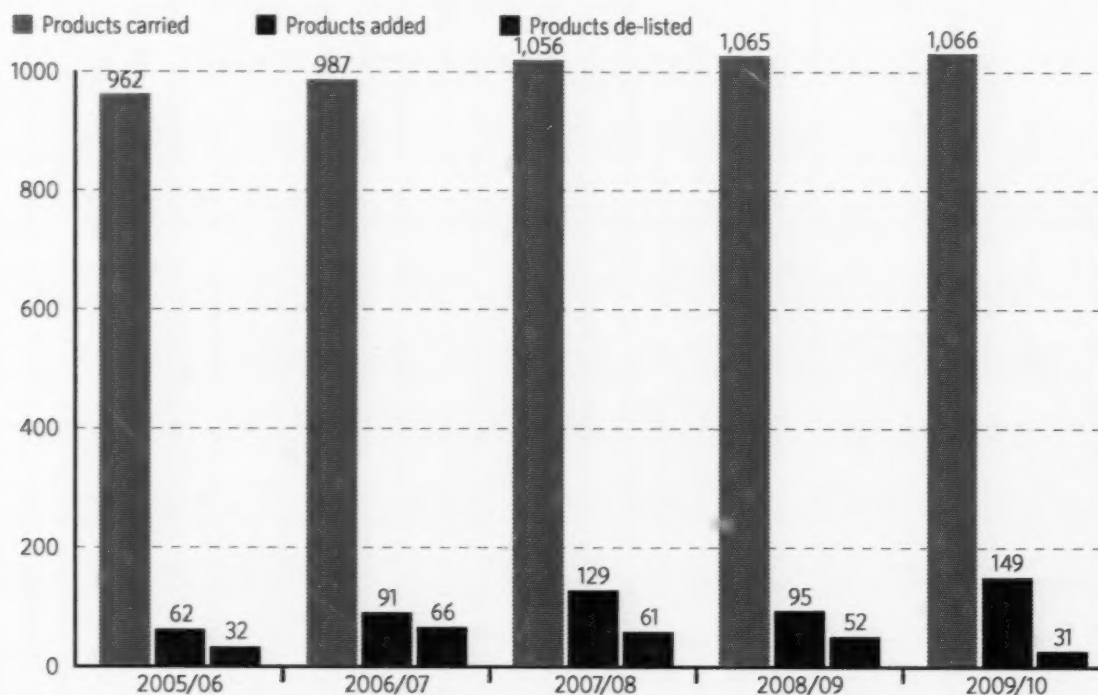
This Branch is responsible for the purchasing, inventory management, and distribution of liquor products.

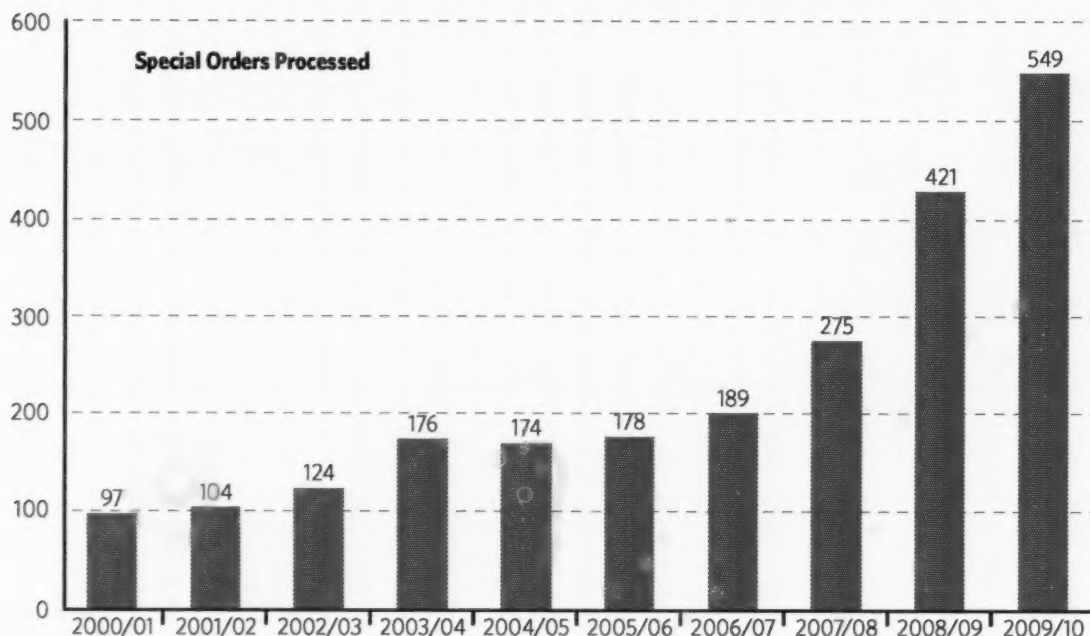
Purchasing & Distribution Branch gathers input from a range of sources, including licensees and other customers, industry, and other jurisdictions, in determining which products to offer for sale in the Yukon, and at what price.

Domestic products are ordered from various locations in Canada. Locally-produced beer is purchased from Yukon Brewing Company in Whitehorse, and locally-produced vodka from Klondike River Distillery. Canadian-made wines and spirits are purchased directly from suppliers in British Columbia, Alberta, Ontario and Quebec. All imported wine, spirits and beer are purchased from the B.C. Liquor Distribution Branch. This allows the Yukon Liquor Corporation to buy a range of products for our customers, in smaller quantities than might otherwise be possible. The arrangement also allows the Corporation to use the quality control and product expertise of the B.C. Liquor Distribution for a modest administrative fee, reducing the Corporation's overhead.



Orders for all non-Yukon products are consolidated in Vancouver and shipped to the central liquor warehouse in Whitehorse. Staff then distributes orders to licensees and to the six Yukon Liquor Stores. Whitehorse licensees purchase their products directly from the central warehouse, and the Whitehorse store serves primarily individuals. The rural stores serve both the general public and licensees.





Purchasing & Distribution staff work closely with suppliers to develop and implement progressive marketing strategies and merchandising programs for shelf management, merchandise display, and in-store tasting programs, in close co-operation with the Retail Sales & Territorial Agent Services branch.

The annual Rotary Wine Festival once again provided the Yukon Liquor Corporation and wine agents with an opportunity to showcase products and get customer feedback on local taste. As a direct result of the festival, the Yukon Liquor Corporation listed 49 new wines.

The completed warehouse improvements allow the Corporation to continue to expand its product selection in all categories, as requested by customers. The Corporation, working with suppliers, was able to make 44 one-time buys in 09/10, providing customers with an opportunity to try a range of special products.

How do I place a special order?

Contact your local Yukon Liquor Store or Purchasing & Distribution at 867-667-8928 (toll-free 1-800-661-0408 ext. 8928). The minimum order is one case.

Staff will research the cost, including shipping, and provide an estimated price and expected delivery date to you. YLC needs a 50% deposit of the total estimated cost before placing the order. You can pay with cash or credit/debit card (or other pre-authorized payment arrangements, in the case of licensees).

Special orders take between four and 12 weeks to arrive, based on where they are coming from. Staff will contact you by telephone when your special order arrives and you can arrange for pick-up and final payment then.



OVERVIEW



Whitehorse



Watson Lake



Faro



Haines Junction



Dawson City



Mayo



OVERVIEW

Retail Sales & Territorial Agent Services Branch

The Retail Sales & Territorial Agent Services Branch manages the Yukon government liquor stores, and delivers Territorial Agent services in rural communities with liquor stores. The Branch operates six retail liquor stores: Dawson City, Faro, Haines Junction, Mayo, Watson Lake, and Whitehorse. The stores offer a wide assortment of wine, spirits, beer, and coolers.

The retail liquor stores in the rural communities sell products to licensees as well as to individual customers. They also issue special occasion and reception permits, and are open Tuesday to Saturday. The Whitehorse liquor store sells primarily to individual customers, although it will accommodate licensees when necessary, and is open Monday to Saturday.

Rural store Territorial Agents provide specific services on behalf of other Government of Yukon departments, such as issue and renewal of driver licences, fishing licences, motor vehicle registrations, and business licences. They also receive payments on behalf of the government, such as property taxes and court fines.





OVERVIEW

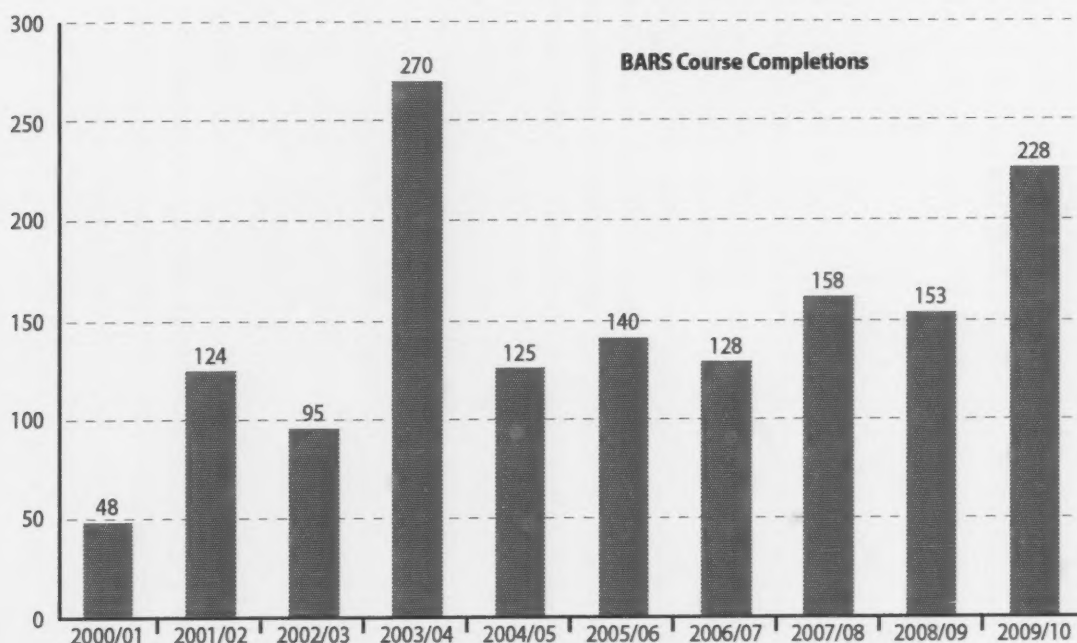
Licensing & Social Responsibility Branch

Working with licensees, permit-holders, liquor consumers, and staff, the branch promotes compliance with the *Liquor Act and Regulations* through training, education, inspection, discussion, and enforcement. It partners with other organizations to develop and deliver a variety of campaigns in support of responsible consumption.

The Licensing & Social Responsibility Branch is responsible for liquor licensing and inspection throughout the Yukon. Staff works with applicants for liquor licences and permits to assist them to meet the requirements of the legislation. New licence applications are considered by the Board, and permits and licence renewals are considered by the President.

The branch uses a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act, Regulations*, and related policies are being met.

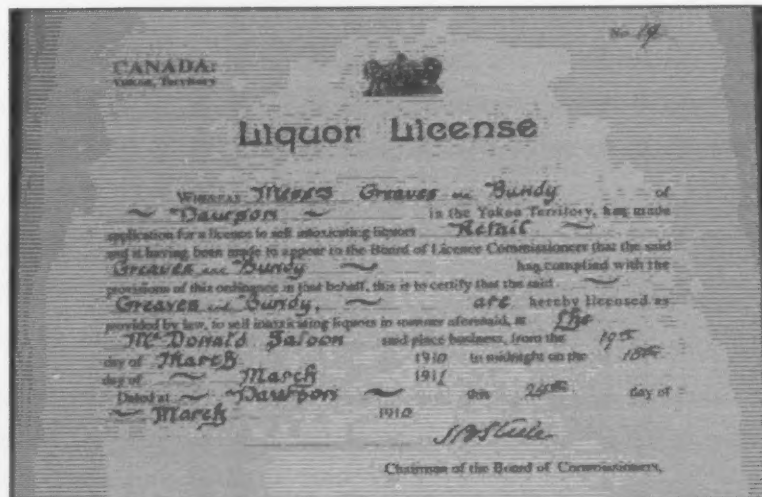
Licensees and their staff are encouraged to participate in various training and information sessions offered by the Branch. For example, the Branch delivers the "Be a Responsible Server" (BARS) course. This is a three-hour server-training program, made available free to participants. Its purpose is to make servers and licensees aware of their legal responsibilities as liquor providers, and to encourage both responsible service and voluntary compliance. It is also available in a self-study format.





OVERVIEW

The branch staff works to establish and foster constructive working relationships with licensees, permit-holders, and their staff. As part of a systematic approach to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies, Licensing & Development Officers maintain a balanced schedule of walk-through and full-premise inspections of licensed establishments and special events to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies. These inspections focus on aspects of both operations and facilities.



This branch is also responsible for developing and implementing social responsibility initiatives, in co-operation with other government departments and community stakeholders. Social Responsibility resources are levered through partnerships with other organizations to maximize impact, and a variety of tools are used to reach the identified target audiences. Our broad-based social responsibility program partners with various inter-agency and community groups and other territorial government departments in delivering public education programs and encouraging responsible drinking practices.

Compliance Framework

Licensees and permit-holders are responsible for:

- Adhering to the *Liquor Act, Regulations*, and related policies
- Training and monitoring staff
- Operating their establishment/event in accordance with the *Liquor Act, Regulations*, and related policies

Yukon Liquor Corporation — Licensing & Social Responsibility is responsible for:

- Providing training, education, and access to related information to licensees and permit-holders
- Establishing and fostering constructive working relationships with licensees, permit-holders, and their staff
- Developing and implementing a system to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies
- Using a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act, Regulations*, and related policies are being met



Yukon Liquor Corporation continued to support alcohol-free graduation events, by providing donations to all Grade 12 classes throughout the Yukon.



What is a Special Occasion Permit?

A Special Occasion permit allows a non-profit organization to sell liquor at a special event, such as a fund-raiser or festival.

What is a Reception Permit?

A Reception Permit allows an individual, organization, or corporation to serve (not sell) liquor at a special event held in a public place. Examples are wedding receptions, retirement parties, or art gallery show openings.

For more information, see our "Hosting an Event" pamphlet, available at Liquor Stores, Head Office, and at www.ylc.yk.ca.



HOSTING AN EVENT



Picture at Lake Bennett, circa 1899 — Yukon Archives, H.C. Barley fonds #4799

PERMITS & SERVING LIQUOR RESPONSIBLY

There are two kinds of permits — a Reception Permit and a Special Occasion Permit. Make sure you get the right one.

Remember — if your name is on the permit, you are responsible for your event.

Questions? Please contact us — our contact information is on the back of this pamphlet.



Yukon
Liquor Corporation

L'ART DE BIEN RECEVOIR



Peinture au lac Bennett — Archives du Yukon, fonds H.C. Barley n° 4799

OBTENIR UN PERMIS ET SERVIR DE L'ALCOOL DE MANIÈRE RESPONSABLE

Il existe deux sortes de permis : le permis de réception et le permis de circonstance. Assurez-vous de vous procurer le permis approprié.

Rappelez-vous, si votre nom est inscrit sur le permis, c'est vous qui êtes responsable.

Vous avez des questions? N'hésitez pas à communiquer avec nous. Nos coordonnées se trouvent au verso de cette brochure.



Yukon
Société des alcools



THE DATE RAPE DRUG
IS IN THE YUKON

ARE YOU LOOKING OUT FOR YOUR FRIEND?


Time turned away to talk to a friend:
10 seconds

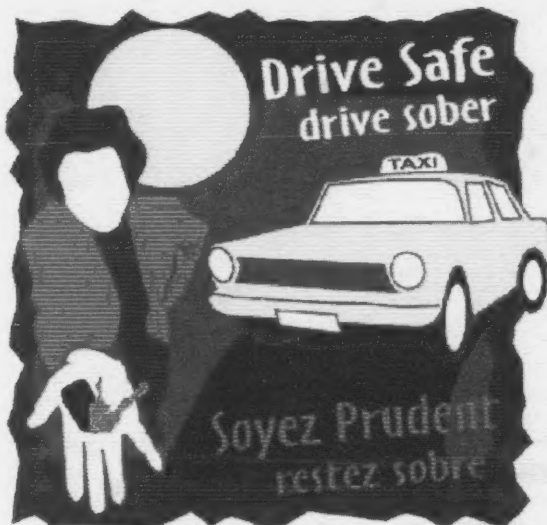
Time it took to drug her drink:
1 second

**PROTECT YOURSELF,
PROTECT YOUR DRINK!**

WWW.PROTECTYOURDRINK.ORG

If you suspect that you or someone you know has been drugged,
you can reach VictimLINK at:
1-800-563-0808







Program Support Branch

The Program Support Branch provides YLC with a variety of essential support services. The responsibilities and services of this unit include telecommunications, records management, contract administration, administrative and reception functions, and other support services to all branches of the Corporation. This branch also works with Licensing and Social Responsibility to provide Secretariat Services to the Yukon Liquor Board.

Shared Services

Services in the areas of Human Resources, Finance & Systems, and Policy & Communications are provided to Yukon Liquor Corporation by a Corporate Services unit in Yukon Housing Corporation, which reports directly to the President. These centralized branches provide specific corporate services and support for the Yukon Liquor Corporation, Yukon Housing Corporation, and Lotteries Yukon.



Policy & Communications

The Policy & Communications Branch provides a wide array of services for the Yukon Liquor Corporation, including support for policy-related issues, research, program development, legislative session support, advertising, news releases, communication material and support, and media relations.

Finance & Systems

The Finance & Systems Branch provides financial operation, information systems and selected other administrative services.

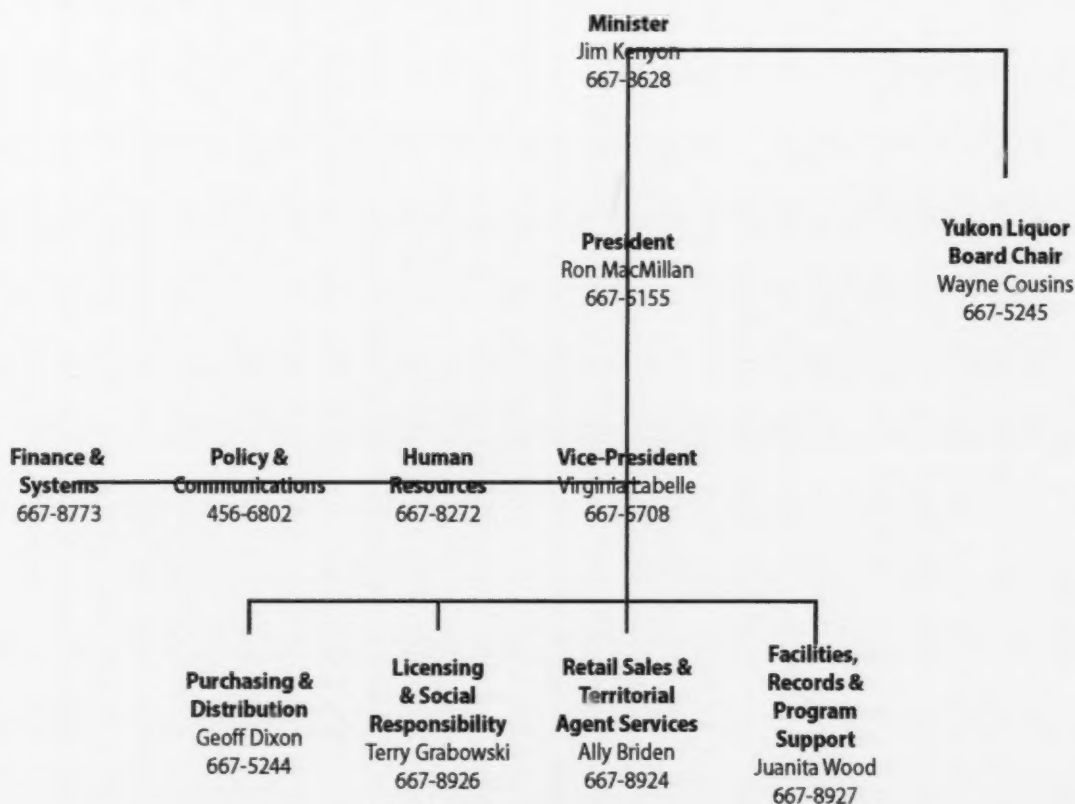
Human Resources

The Human Resources Branch provides a full range of Human Resource services, advice, and support that facilitate the delivery of programs and quality customer services.



OVERVIEW

Organization Chart



Toll-free within Yukon: 1-800-661-0408



HIGHLIGHTS

HIGHLIGHTS

Volume of Liquor Sold by Location (Hectolitres)

| Location | Spirits | Wine | Beer & Cider | 2009/10 | 2008/09* revised |
|----------------------------|--------------|--------------|---------------|---------------|---------------------|
| Central Warehouse..... | 1,117 | 642 | 15,397 | 17,156 | 16,878 |
| Dawson City | 292 | 316 | 3,964 | 4,572 | 4,615 |
| Faro..... | 99 | 29 | 737 | 865 | 1,009 |
| Haines Junction | 120 | 104 | 1,483 | 1,707 | 1,758 |
| Mayo | 84 | 118 | 766 | 968 | 1,011 |
| Watson Lake | 349 | 158 | 2,742 | 3,249 | 2,998 |
| Whitehorse | 2,120 | 2,918 | 14,830 | 19,868 | 18,284 |
| Total 2009/10 | 4,181 | 4,285 | 39,919 | 48,385 | |
| Total 2008/09 | 4,115 | 4,079 | 38,358 | | 46,553 |

Sales by Location (\$000s)

| Location | Spirits | Wine** | Beer & Cider | 2009/10 | 2008/09 |
|----------------------------|--------------|--------------|---------------|---------------|---------|
| Central Warehouse | 2,259 | 788 | 6,047 | 9,094 | 8,793 |
| Dawson City | 708 | 383 | 1,579 | 2,670 | 2,649 |
| Faro | 225 | 32 | 288 | 545 | 666 |
| Haines Junction | 259 | 127 | 587 | 973 | 961 |
| Mayo | 194 | 99 | 297 | 590 | 595 |
| Watson Lake | 725 | 153 | 1,072 | 1,950 | 1,779 |
| Whitehorse | 4,815 | 3,559 | 6,016 | 14,390 | 13,037 |
| Total 2009/10 | 9,185 | 5,141 | 15,886 | 30,212 | |
| % of Sales | 30.4% | 17.0% | 52.6% | 100% | |
| Total 2008/09 | 8,904 | 4,986 | 14,590 | | 28,480 |
| % of Sales | 31.3% | 17.5% | 51.2% | | 100% |

* 2008/09 — Allocation of hectolitres sold by location has been corrected.

** \$35,000 in Wine Coolers were included in Spirits sales in the accompanying financial statements for 09/10.



HIGHLIGHTS



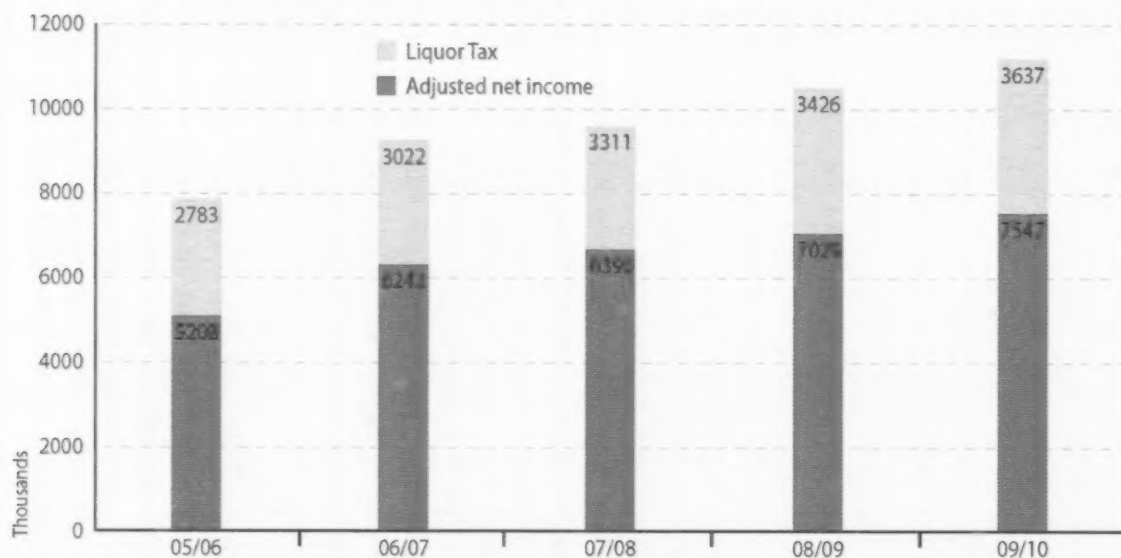


HIGHLIGHTS

| Sales by Product Type | | 2009/10 Domestic Sales | Total Sales | % of category | Volume (HL) | % of category |
|-------------------------------|----------|------------------------|---------------|---------------|---------------|---------------|
| Whiskey | Domestic | 1,792 | | | | |
| | Imported | 150 | 1,942 | 21.1% | 720 | 17.2% |
| Scotch | Domestic | - | | | | |
| | Imported | 495 | 495 | 5.4% | 97 | 2.3% |
| Rum | Domestic | 1,047 | | | | |
| | Imported | 161 | 1,208 | 13.2% | 469 | 11.2% |
| Gin | Domestic | 84 | | | | |
| | Imported | 200 | 284 | 3.1% | 97 | 2.3% |
| Brandy | Domestic | 16 | | | | |
| | Imported | 109 | 125 | 1.4% | 38 | 0.9% |
| Liqueur | Domestic | 359 | | | | |
| | Imported | 1,101 | 1,460 | 15.9% | 471 | 11.3% |
| Vodka | Domestic | 2,352 | | | | |
| | Imported | 343 | 2,695 | 29.3% | 1,048 | 25.1% |
| Coolers | Domestic | 633 | | | | |
| | Imported | 93 | 726 | 7.9% | 1,174 | 28.1% |
| Other | Domestic | 141 | | | | |
| | Imported | 109 | 250 | 2.7% | 68 | 1.6% |
| Total Spirits | | 9,185 | 9,185 | 100.0% | 4,182 | 100.0% |
| Wine | Domestic | 1,856 | | | | |
| | Imported | 3,250 | 5,106 | 99.3% | 4,244 | 99.0% |
| Wine Coolers* | Domestic | - | | | | |
| | Imported | 35 | 35 | 0.7% | 42 | 1.0% |
| Total Wine | | 5,141 | 5,141 | 100.0% | 4,286 | 100.0% |
| Beer | Domestic | 14,168 | | | | |
| | Imported | 1,079 | 15,247 | 96.0% | 39,765 | 96.1% |
| Cider | Domestic | 589 | | | | |
| | Imported | 50 | 639 | 4.0% | 154 | 3.9% |
| Total Beer & Cider | | 15,886 | 15,886 | 100.0% | 39,919 | 100.0% |
| Subtotal | | 30,212 | | | | |
| Other Sales Income | | 130 | | | | |
| Grand Total | | 30,342 | | | | |

* \$35,000 in Wine Coolers were included in Spirits sales in the accompanying financial statements for 09/10.

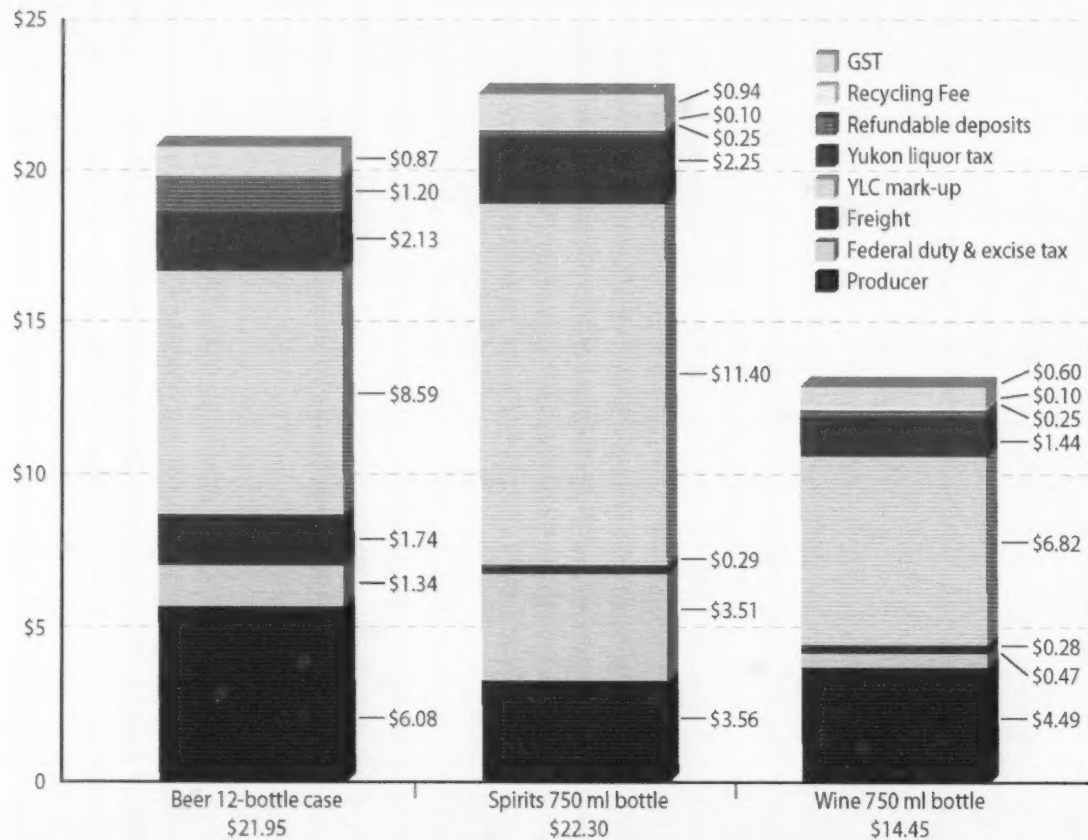
Dividend — Annual Transfer to Government of Yukon





HIGHLIGHTS

Price Analysis





HIGHLIGHTS





HIGHLIGHTS

Liquor Licences

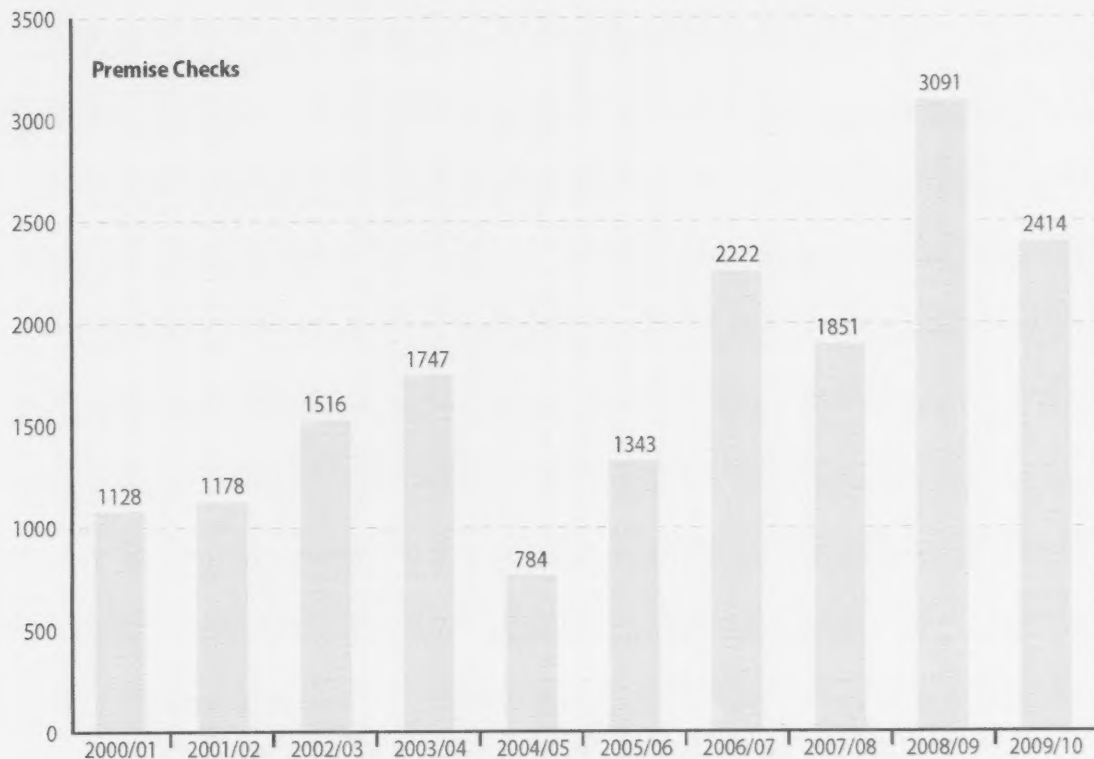
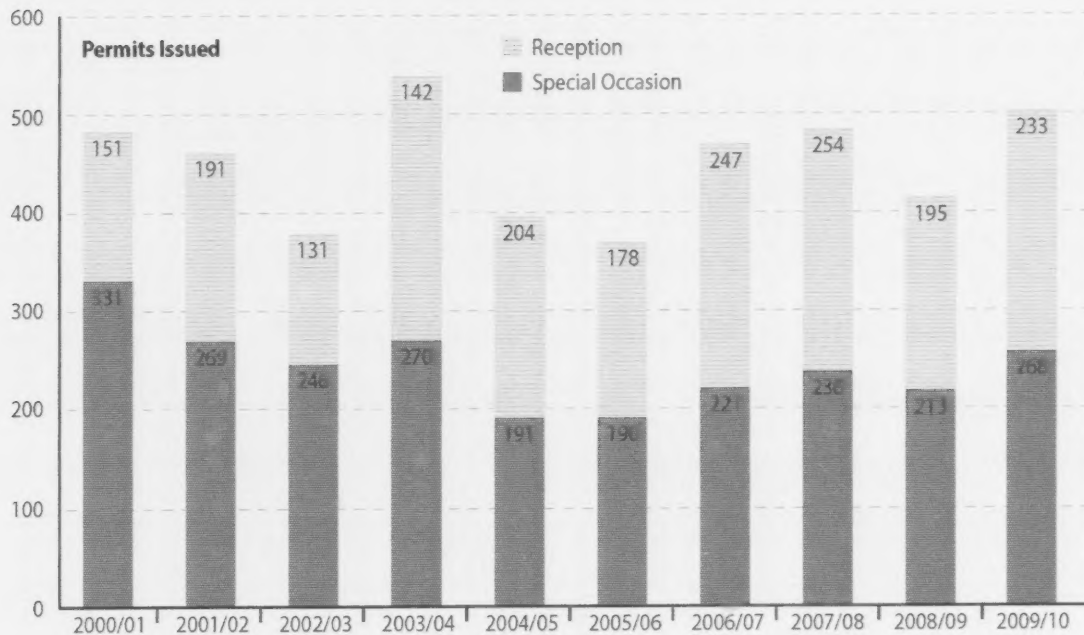
| Type | 2009/10 | 2008/09 | 2007/08 | 2006/07 | 2005/06 |
|--|------------|------------|------------|------------|------------|
| Liquor Primary — All Liquor | 48 | 45 | 49 | 56 | 51 |
| Food Primary — All Liquor | 48 | 50 | 51 | 51 | 51 |
| Food Primary — Beer/Wine | 29 | 30 | 34 | 45 | 43 |
| Off Premises — Liquor | 48 | 48 | 51 | 60 | 59 |
| Off Premises — Beer/Wine | 23 | 22 | 23 | 25 | 23 |
| Club | 13 | 13 | 12 | 13 | 10 |
| Special | 37 | 34 | 34 | 37 | 38 |
| Aircraft/Ship | 4 | 2 | 3 | 3 | 3 |
| Room Service | 17 | 16 | 18 | 21 | 21 |
| Liquor Primary — Mess | 1 | 1 | 1 | 1 | 1 |
| Sport Stadium | 1 | 1 | 1 | 1 | 1 |
| Recreation Facility | 6 | 6 | 7 | 7 | 6 |
| Liquor Manufacturer — Brewery | 1 | 2 | 1 | 1 | 1 |
| Liquor Manufacturer — Distillery | 2 | 0 | 0 | 0 | 0 |
| Liquor Manufacturer — Retail Brewery | 1 | 1 | 1 | 1 | 1 |
| RV Park | 1 | 0 | 0 | 0 | 0 |
| Total | 280 | 271 | 286 | 322 | 309 |

Liquor Permits Issued 2009/10

| Location | Reception | Special Occasion |
|-----------------------------|------------|------------------|
| Dawson City Store | 45 | 43 |
| Faro Store | 1 | 6 |
| Haines Junction Store | 10 | 11 |
| Mayo Store | 2 | 9 |
| Watson Lake Store | 7 | 9 |
| Whitehorse Office | 168 | 190 |
| Total | 233 | 268 |

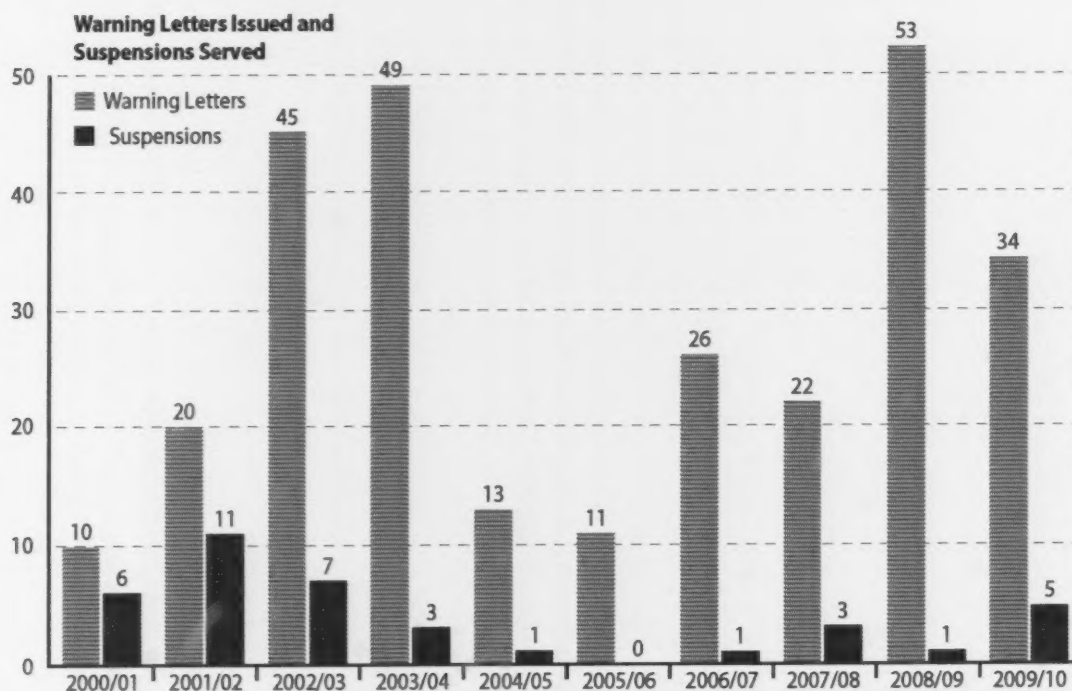


HIGHLIGHTS





HIGHLIGHTS



During the 2009/10 fiscal year, 34 letters of warning and five suspensions were issued, for a total of 70 infractions under the *Liquor Act* and *Liquor Regulations*. Each letter of warning or suspension may include several infractions.

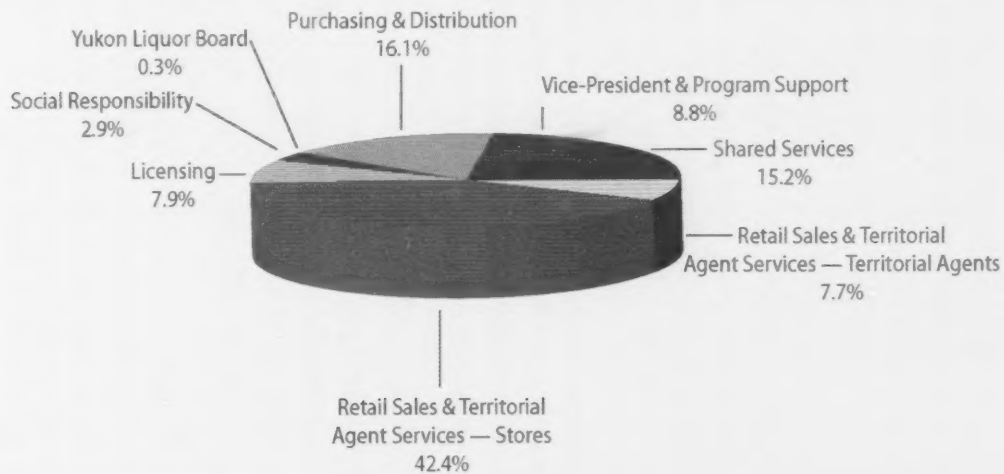
| Activity | | |
|--|----------|-------------|
| Infractions 2009/10 | Warnings | Suspensions |
| Permitting intoxicated patrons to enter or remain on premises | 15 | 5 |
| Over-serving patrons | 6 | 3 |
| Permitting violent, riotous or disorderly conduct on premises | | 1 |
| Drinking liquor while on duty | | 1 |
| Selling liquor to intoxicated persons or persons appearing to be intoxicated | 6 | 2 |
| Selling liquor to minors | 1 | 2 |
| Permitting minors in liquor primary premises | 2 | 1 |
| Permitting minors to consume and be in possession of liquor | 2 | |
| Exceeding the maximum seating capacity (overcrowding) | 4 | 1 |
| Allowing patrons to remain in licensed premises with off-sales purchases | 1 | |
| Selling and serving liquor outside authorized hours | 4 | |
| Selling liquor without a license | 2 | |
| Allowing patrons to consume liquor in unlicensed area of the premises | 4 | |
| Allowing liquor purchased for consumption to be taken off the premises | 4 | |
| Allowing patrons to bring liquor into licensed premises | 1 | |
| Failing to measure spirit pours from marked container | 1 | |
| Failing to maintain the licensed premises fixtures and equipment | 1 | |



HIGHLIGHTS

Operating Expenses 2009/10

(Does not include Amortization or services received from Government of Yukon without charge.)





MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The financial statements as at March 31, 2010, which include amounts based on management's best estimates as determined through experience and judgement, are prepared in accordance with Canadian generally accepted accounting principles.

These financial statements have been independently audited by the Corporation's external auditor, the Auditor General of Canada, and the audit report is included in this report.

Ron MacMillan
President

May 28, 2010

F. Mark Davey, CA
Director, Finance, Systems and Administration

May 28, 2010



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

I have audited the balance sheet of the Yukon Liquor Corporation as at March 31, 2010 and the statements of income, comprehensive income and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Liquor Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith. In addition, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* of Yukon and regulations, the *Liquor Act* and regulations, the *Liquor Tax Act* and the by-laws of the Corporation.

Guy LeGras, CA
Principal
for the Auditor General of Canada

Vancouver, Canada
May 28, 2010



BALANCE SHEET

Balance Sheet as at March 31

ASSETS

| | 2010 | 2009 |
|--|-----------------|-----------------|
| | (in thousands) | |
| Current | | |
| Cash | \$ 3,241 | \$ 2,944 |
| Accounts receivable | 124 | 84 |
| Inventories | 2,897 | 2,415 |
| Prepaid expenses | 80 | - |
| | <u>6,342</u> | <u>5,443</u> |
| Property, plant and equipment (Note 5 and 7) | <u>1,326</u> | <u>1,571</u> |
| | <u>\$ 7,668</u> | <u>\$ 7,014</u> |

LIABILITIES & EQUITY

| | | |
|--|-----------------|-----------------|
| Current | | |
| Accounts payable and accrued liabilities | \$ 3,307 | \$ 1,551 |
| Due to Government of the Yukon (Note 6) | 1,943 | 2,932 |
| Deferred revenue | <u>78</u> | <u>74</u> |
| | 5,328 | 4,557 |
| Non-pension benefit liability (Note 10) | <u>1,014</u> | <u>886</u> |
| | <u>6,342</u> | <u>5,443</u> |
| Equity (Note 7) | <u>1,326</u> | <u>1,571</u> |
| | <u>\$ 7,668</u> | <u>\$ 7,014</u> |

Commitments and contingencies (Note 11)

The accompanying notes are an integral part of the financial statements.

Approved by Management:

President

Director, Finance, Systems & Administration



STATEMENT OF INCOME

Yukon Liquor Corporation
Statement of Income, Comprehensive Income and Equity
for the year ended March 31

| | 2010 | 2009 |
|---|-----------------|-----------------|
| | (in thousands) | |
| Sales | | |
| Beer | \$ 15,885 | \$ 14,590 |
| Spirits | 9,220 | 8,904 |
| Wine | 5,236 | 5,074 |
| | <u>30,341</u> | <u>28,568</u> |
| Cost of goods sold | <u>15,463</u> | <u>14,349</u> |
| Gross profit | <u>14,878</u> | <u>14,219</u> |
| Expenses | | |
| Salaries, wages and benefits | 3,822 | 3,734 |
| Rent, utilities and maintenance | 1,545 | 1,638 |
| Shared corporate services costs (Note 9d) | 1,107 | 1,064 |
| Amortization | 368 | 513 |
| Bank expenses | 306 | 292 |
| Travel and communications | 237 | 225 |
| Other | 200 | 184 |
| General and office supplies | 147 | 161 |
| | <u>7,732</u> | <u>7,811</u> |
| Operating income | <u>7,146</u> | <u>6,408</u> |
| Other income | | |
| Fees, permits and licences | 120 | 114 |
| Miscellaneous | 8 | 8 |
| Services received from the Government of Yukon (Note 9c) | 588 | 558 |
| | <u>716</u> | <u>680</u> |
| Net income and comprehensive income from operations | \$ 7,862 | \$ 7,088 |
| Services provided to the Government of Yukon (Note 1 and 9c) | 560 | 499 |
| | <u>\$ 7,302</u> | <u>\$ 6,589</u> |
| Equity, beginning of year | 1,571 | 2,011 |
| Current year's income to be remitted to the Government of Yukon (Note 9a) | (7,547) | (7,029) |
| Equity, end of year (Note 7) | <u>\$ 1,326</u> | <u>\$ 1,571</u> |

The accompanying notes are an integral part of the financial statements.



STATEMENT OF INCOME

Statement of Cash Flows for the year ended March 31

| | 2010 | 2009 |
|---|-----------------|-----------------|
| | (in thousands) | |
| Operating activities | | |
| Cash receipts: | | |
| Sales - spirits, wine and beer | \$ 30,341 | \$ 28,569 |
| Annual licence fees and other | 82 | 114 |
| Cash disbursements: | | |
| Purchases | (15,945) | (13,925) |
| Salary, wages and benefits | (4,275) | (4,144) |
| General and administrative expenses | (1,616) | (3,132) |
| Prepaid expenses | (80) | - |
| Net cash provided by operating activities | <u>8,507</u> | <u>7,482</u> |
| Investing activities | | |
| Cash receipts: | | |
| Disposal of shelving | 10 | - |
| Cash disbursements: | | |
| Acquisition of property, plant and equipment | (123) | (262) |
| Net cash used in investing activities | <u>(113)</u> | <u>(262)</u> |
| Financing activities | | |
| Cash disbursements: | | |
| Remittance of income to the Government of Yukon | (8,097) | (7,380) |
| Net cash used in financing activities | <u>(8,097)</u> | <u>(7,380)</u> |
| Increase (decrease) in cash for the year | <u>297</u> | <u>(160)</u> |
| Cash, beginning of year | <u>2,944</u> | <u>3,104</u> |
| Cash, end of year | <u>\$ 3,241</u> | <u>\$ 2,944</u> |

The accompanying notes are an integral part of the financial statements.



YUKON LIQUOR CORPORATION
Notes to the Financial Statements
for the year ended March 31, 2010

1. Authority and Operations

The Corporation, established in 1977 under the *Liquor Act*, is responsible for the purchase, distribution and sale of liquor within the Yukon. It is responsible for controlling the sale of liquor through licensed outlets and enforcing all matters related to the Act.

The Corporation operates a central warehouse and distribution centre in Whitehorse and six liquor stores. The rural liquor stores also provide specific government services on behalf of the Government of Yukon.

In accordance with the *Liquor Act*, the net income for the year, before amortization, less amounts expended on property, plant and equipment, is remitted to the Government of Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of Yukon and to remit these taxes on a monthly basis. The current rate is 12% (2009-12%), and is applied to all selling prices.

In accordance with the provisions of the *Beverage Container Regulations* under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund on a monthly basis after deducting deposit refunds paid and fees earned under the program.

As a territorial corporation of the Government of Yukon, the Corporation is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*.

2. Adoption of New Accounting Standards

a) Financial Instruments - Disclosures

In June 2009, the Canadian Institute of Chartered Accountants (CICA) amended Handbook Section 3862 "Financial Instruments - Disclosures" to include additional disclosure requirements regarding fair value measurements and liquidity risk related to financial instruments. All financial instruments measured at fair value must be classified in fair value hierarchy levels, which are as follows:

- Level 1 - values are based on quoted prices in active markets for identical assets or liabilities
- Level 2 - values are determined using inputs that are observable for similar assets or liabilities other than quoted prices
- Level 3 - values are determined using at least one input or assumption that is unobservable

Liquidity risk disclosure was enhanced with the inclusion of a maturity analysis for derivative and non-derivative financial liabilities.

As at March 31, 2010, this disclosure requirement had no impact on the financial statements, since the Corporation had no financial instruments that were being recorded at fair value.

b) Goodwill and Intangible Assets

In February 2008, the CICA issued a new accounting standard, Handbook Section 3064 "Goodwill and Intangible Assets", which replaced Section 3062 "Goodwill and Other Intangible Assets". The new standard defines the recognition and measurement criteria for intangible assets and, in particular, for intangible assets that are internally generated. CICA Handbook Section 3064 is effective for periods beginning on or after October 1, 2008.



YUKON LIQUOR CORPORATION
Notes to the Financial Statements
for the year ended March 31, 2010

The standard provides guidance for the recognition of intangible assets including computer software that is not an integral part of the related hardware. The implementation of this new section did not have a significant impact on the Corporation's financial statements.

c) Future Accounting Changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has announced that all publicly-accountable Canadian reporting entities will adopt IFRS as Canadian Generally Accepted Accounting Principles (GAAP) for the years beginning on or after January 1, 2011. The Corporation has hired an external advisor to assist in the conversion process and has completed its initial diagnostic and financial statement component evaluations.

3. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Inventories

Inventories are comprised of alcoholic beverages for resale and are valued at the lower of landed cost at point of sale and net realizable value. Inventory costs are determined on a first-in, first-out basis. Cost is comprised of supplier-invoiced value and freight. Net realizable value represents the estimated selling price for inventories less the cost to sell.

Revenue recognition

Revenue is recognized when the sale of products is made to customers.

Expense recognition

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

Property, plant and equipment

Property, plant and equipment owned by the Corporation are recorded at cost. Only assets that meet the minimum threshold limit are capitalized on the balance sheet. Amortization is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

| <u>Classification</u> | <u>Estimated Useful Life</u> |
|--------------------------------|------------------------------|
| Land | Indefinite |
| Buildings | 20 years |
| Furniture and office equipment | 5 years |
| Operating equipment | 5 years |
| Heavy equipment | 15 years |
| Systems development | 5 years |
| Systems equipment | 5 years |
| Leasehold improvements | remaining term of lease |



YUKON LIQUOR CORPORATION
Notes to the Financial Statements
for the year ended March 31, 2010

Employee future benefits

Non-pension benefits

Under their conditions of employment, employees may qualify and earn employment benefits for vacation, sick, compensatory and personal leave, travel bonus, and severance benefits. The benefit obligation was determined on an actuarial basis. The costs of these benefits are accrued as employees render the services required to earn them. The obligations for vacation leave, sick leave, and severance benefits were calculated using the projected benefit method pro-rated on service. The remainder was calculated assuming all employees would receive the benefits on the valuation date. Net actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the active employees commencing with the period following the determination of the net actuarial gains and losses. Extended health care and insurance plan employee future benefit liabilities are paid by and accrued in the financial statements of the Government of Yukon.

Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are expensed during the year in which the services are rendered. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Services received from or provided to the Government of Yukon

The Corporation records in the Statement of Income, Comprehensive Income and Equity services it receives or provides to the Government of Yukon in the normal course of operations, at their carrying amount. These services include the following:

- services, primarily accommodation, provided by the Government of Yukon;
- services provided by the Corporation to the Government in its capacity as Territorial Agent in localities outside of Whitehorse

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Estimates are used when accounting for matters such as amortization and non-pension benefit liability. Actual results could differ materially from these estimates.

Financial Instruments

The Corporation's financial instruments consist of Cash, Accounts receivable, Accounts payable and Due to the Government of Yukon. Accounts payable and Due to the Government of Yukon are due on demand and are non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity. These financial instruments are accounted for as follows:



YUKON LIQUOR CORPORATION
Notes to the Financial Statements
for the year ended March 31, 2010

Loans and receivables

The Corporation has classified the following financial asset as loans and receivables: Accounts Receivable. This instrument is initially recognized at its fair value. Fair value is approximated by the instruments initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at its amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income when the loan or receivable is settled or upon impairment.

Other financial liabilities

The Corporation has classified the following financial liabilities as other financial liabilities: Accounts Payable and Due to the Government of Yukon. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method.

4. Financial Instruments

Risk Management

The Corporation, through its financial assets and liabilities, is exposed to the following risks from its use of financial instruments: credit risk, and liquidity risk. The Corporation manages these risk exposures on an ongoing basis. The Corporation has no significant exposure to interest rate risk and foreign exchange risk. The Corporation is not party to any derivative financial instruments.

Credit Risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation.

The carrying amount of Cash and Accounts receivable represents the maximum credit exposure.

The Corporation's Accounts receivable has a carrying value of \$124,000 as of March 31, 2010 (2009 - \$84,000). There is no concentration of accounts receivable with any one customer. As at March 31, 2010, approximately 0.1% (2009 - 36.6%) of Accounts receivable were over 90 days past due, whereas 99.9% (2009 - 63.4%) were current or less than 90 days past due. Historically, the Corporation has not incurred any significant losses with respect to bad debts. The Corporation's allowance for doubtful accounts is nil at March 31, 2010 (2009 - nil).

The risk on cash is minimized as these assets are held with a Canadian chartered bank.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's objective is to have sufficient liquidity to meet these liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements by regularly checking bank balances and accounts payable reports.

The carrying amount of Accounts payable and accrued liabilities and Due to the Government of Yukon represents the maximum exposure to liquidity risk.

The Corporation does not have long-term financial liabilities. The Corporation's Accounts payable and accrued liabilities had a carrying value of \$3,307,000 as at March 31, 2010 (2009 - \$1,551,000). As at March 31, 2010, approximately \$162,000 or 4.9% (2009 - 1.6%) of Accounts payable were over 90 days past due, whereas 95.1% (2009 - 98.4%) were current, or less than 90 days past due. Due to the Government of Yukon had a carrying value of \$1,943,000 as of March 31, 2010 (2009 - \$2,932,000).



NOTES TO FINANCIAL STATEMENTS

YUKON LIQUOR CORPORATION Notes to the Financial Statements for the year ended March 31, 2010

5. Property, Plant and Equipment

Property, plant and equipment purchased by the Corporation are as follows:

| | 2010 | | 2009 | |
|--------------------------------|-----------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| | (in thousands) | | | |
| Land | \$ 202 | \$ - | \$ 202 | \$ 202 |
| Buildings | 4,756 | 4,062 | 694 | 914 |
| Furniture and office equipment | 331 | 97 | 234 | 234 |
| Operating equipment | 202 | 159 | 43 | 54 |
| Heavy equipment | 148 | 75 | 73 | - |
| Systems development | 216 | 184 | 32 | 75 |
| Systems equipment | 223 | 175 | 48 | 92 |
| Leasehold improvements | 357 | 357 | - | - |
| | <u>\$ 6,435</u> | <u>\$ 5,109</u> | <u>\$ 1,326</u> | <u>\$ 1,571</u> |

The unamortized cost of property, plant and equipment acquired by the Government of Yukon up to March 31, 1990 and held by the Corporation is as follows:

| | 2010 | 2009 |
|--------------------------------|-----------------|-----------------|
| | (in thousands) | |
| Liquor store buildings | \$ 978 | \$ 978 |
| Store and warehouse | 1,167 | 1,167 |
| Equipment | 375 | 375 |
| Furniture and office Equipment | 104 | 104 |
| | <u>\$ 2,624</u> | <u>\$ 2,624</u> |

6. Due to the Government of Yukon

| | 2010 | 2009 |
|--|-----------------|-----------------|
| | (in thousands) | |
| Reimbursements due for salaries to employees, shared services costs (2009) and other costs paid on behalf of the Corporation | \$ 678 | \$ 802 |
| Income due to the Government of Yukon pursuant to the Liquor Act (Note 9a) | 988 | 1,539 |
| Liquor Tax (Note 9b) | 275 | 451 |
| Net remittances due to the Recycling Fund | 2 | 140 |
| Net due at the end of the year | <u>\$ 1,943</u> | <u>\$ 2,932</u> |



NOTES TO FINANCIAL STATEMENTS

YUKON LIQUOR CORPORATION Notes to the Financial Statements for the year ended March 31, 2010

7. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, \$1,326,000 (2009 - \$1,571,000) which the Government of Yukon has provided to the Corporation. The annual change in equity represents additions and disposals of property, plant and equipment less amortization expense for the year.

8. Capital management

The Corporation manages its capital in order to purchase a range of liquor products and make them available to consumers, and to regulate the sale and consumption of liquor products, while optimizing the net proceeds to government realized from the sale and control of liquor.

The Corporation defines capital as equity (see Note 7) which is represented by net assets. It is subject to the financial management and accountability provisions of the *Financial Administration Act*, the *Corporate Governance Act*, and the *Liquor Act*, which specifies that net assets of the Corporation are the property of the Government of Yukon.

The Corporation manages its equity through its five year capital plan and as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings to ensure that its objectives are achieved efficiently. The five year capital plan and revenue projections are approved annually by the Management Board of the Government of Yukon. The Corporation is required to provide regular variance reporting to the Government of Yukon to ensure that the Corporation effectively achieves its objectives whilst remaining a going concern.

The Corporation is not subject to external capital requirements. There has been no change to its capital management during the year.

9. Related party transactions

a) Income due to the Government of Yukon pursuant to the *Liquor Act*

Calculation of adjusted net income due to the Government of Yukon for the year (Note 1):

| | 2010 | 2009 |
|---|----------------|----------|
| | (in thousands) | |
| Balance due at the beginning of the year | \$ 1,539 | \$ 1,890 |
| Net income and comprehensive income | 7,302 | 6,589 |
| Property, plant and equipment additions | (123) | (262) |
| Amortization | 368 | 513 |
| Adoption of new accounting policy | - | 189 |
| Current year's income to be remitted to the Government of Yukon | 7,547 | 7,029 |
| Less: remitted during the year | (8,098) | (7,380) |
| Balance due at the end of the year | \$ 988 | \$ 1,539 |



NOTES TO FINANCIAL STATEMENTS

YUKON LIQUOR CORPORATION
Notes to the Financial Statements
for the year ended March 31, 2010

b) Liquor tax

Liquor tax collected and due to the Government of Yukon for the year (Note 1):

| | 2010 | 2009 |
|--|----------------|---------------|
| | (in thousands) | |
| Balance due at the beginning of the year | \$ 451 | \$ 455 |
| Liquor tax collected during the year | 3,637 | 3,426 |
| Less: remitted during the year | (3,813) | (3,430) |
| Balance due at the end of the year | <u>\$ 275</u> | <u>\$ 451</u> |

c) Other transactions

The value of services received by the Corporation from the Government of Yukon is estimated to be \$588,068 (2009 - \$557,860). The value of services provided by the Corporation to the Government of Yukon is estimated to be \$560,094 (2009 - \$499,328). These transactions are included in the financial statements of the Corporation.

The employees of the Corporation are paid by the Government of Yukon. The Corporation reimburses the Government on a monthly basis for salaries and benefits expenses paid.

The Corporation recognizes services received from and provided to the Government of Yukon at their carrying amount. Recording the value of services provided without charge both by and to the Government recognizes and discloses the full cost of operations of the Corporation.

The individual financial statement items are affected as follows:

| | | |
|---|------------------|------------------|
| Services received from the Government of Yukon | 2010 | 2009 |
| Salaries and benefits | \$ 3,179 | \$ 6,979 |
| Rent, utilities and maintenance | 574,050 | 535,632 |
| General and office supplies | 10,839 | 15,249 |
| | <u>\$588,068</u> | <u>\$557,860</u> |
| Services provided to the Government of Yukon | 2010 | 2009 |
| Salaries and benefits | \$471,660 | \$422,529 |
| Rent, utilities and maintenance | 83,888 | 72,482 |
| Travel and communications | 4,546 | 4,317 |
| | <u>\$560,094</u> | <u>\$499,328</u> |



YUKON LIQUOR CORPORATION
Notes to the Financial Statements
for the year ended March 31, 2010

d) Shared services costs

For the year ended March 31, 2010, the Corporation was part of a shared services arrangement with Yukon Housing Corporation which consolidated functions such as finance, systems and administration, policy and communications and human resources services. The amount charged by the Yukon Housing Corporation to the Corporation for shared services for the year was \$1,107,000. For the year ended March 31, 2009, these services were provided by a department of the Government of Yukon and the amount charged to the Corporation for shared services for the year was \$1,063,760.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts payable by the Corporation at year-end totalling \$991,000 (2009 - nil) are included in Accounts payable and accrued liabilities.

10. Employee future benefits**Pension Plan**

The Corporation and all eligible employees contribute to the Public Service Pension Plan administered by the Government of Canada. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions during the year were as follows:

| | 2010 | 2009 |
|-----------------------------|----------------|--------|
| | (in thousands) | |
| Corporation's contributions | \$ 318 | \$ 318 |
| Employees' contributions | 178 | 159 |

Non-pension benefits

The Corporation provides non-pension benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. The results measured at March 31, 2009 are summarized as follows:

| | 2010 | 2009 |
|---|-----------------|-----------------|
| | (in thousands) | |
| Accrued benefit obligation, beginning of year | \$ 1,006 | \$ 881 |
| Current service cost | 73 | 71 |
| Interest cost on accrued benefit obligation | 62 | 55 |
| Amortization of net actuarial gains | (1) | (1) |
| Prior unrecognized net actuarial gain | 6 | - |
| Accrued benefit obligation, end of year | <u>\$ 1,146</u> | <u>\$ 1,006</u> |
| Short-term portion (vacation) | \$ 132 | \$ 120 |
| Long-term portion | 1,014 | 886 |
| | <u>\$ 1,146</u> | <u>\$ 1,006</u> |



NOTES TO FINANCIAL STATEMENTS

YUKON LIQUOR CORPORATION
Notes to the Financial Statements
for the year ended March 31, 2010

The significant actuarial assumptions were:

| | | |
|------------------------|----------------------------|----------------------------|
| Discount rate | 5.75% | 5.75% |
| Salary escalation rate | 1.20% Jun. 1, 09 | 1.80% Jan. 1, 2009 |
| | 2.50% per annum thereafter | 1.20% Jun. 1, 2009 |
| | | 2.50% per annum thereafter |

The most recent actuarial valuation made for this non-pension benefit plan was prepared as of April 1, 2007. The next required valuation would be as of April 1, 2010.

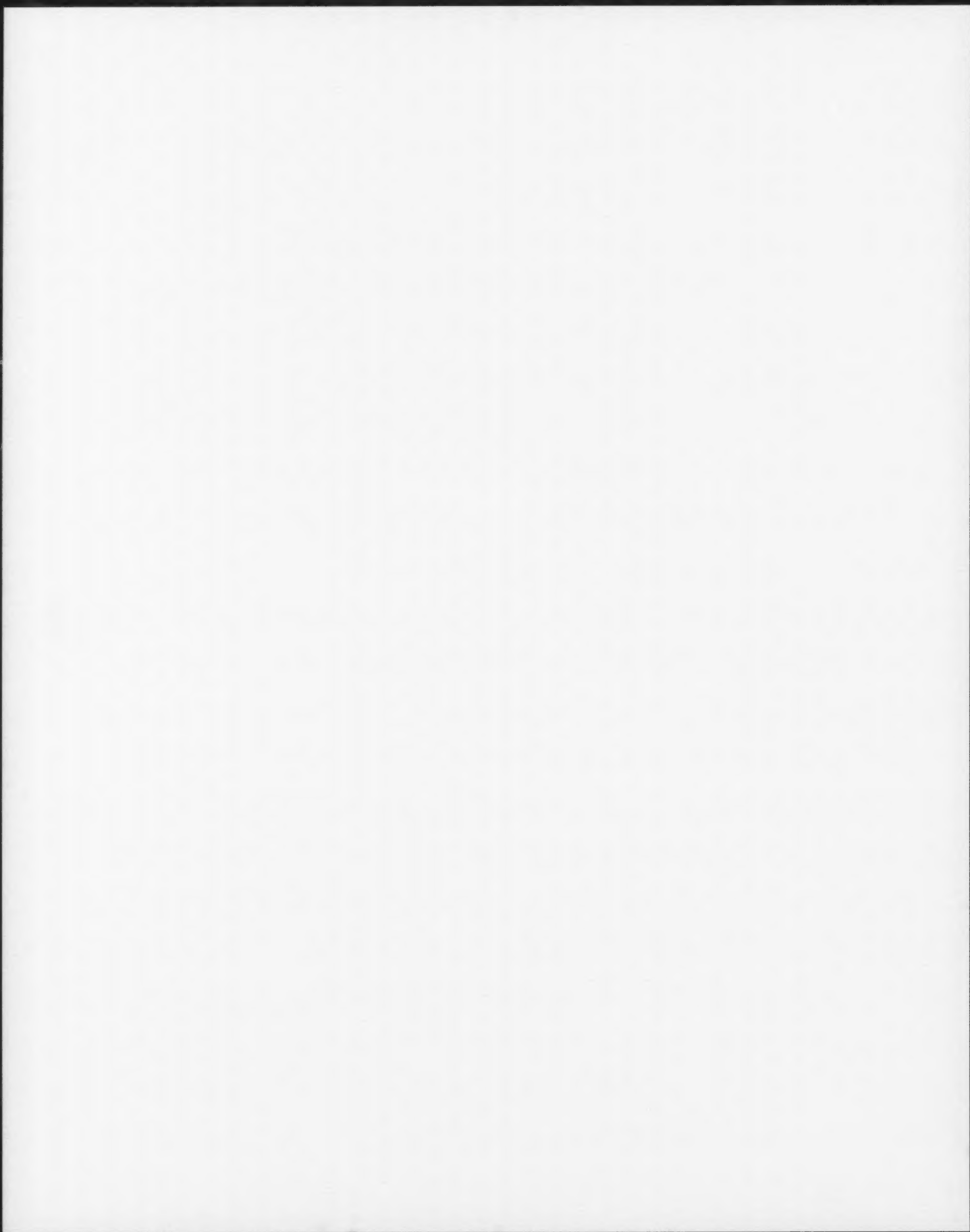
11. Commitments and contingencies

The Corporation has the following operating leases with commitments for annual rents of leased premises due as follows:

| Fiscal | Whitehorse Store | Other Retail Stores | Total |
|--------|---------------------|------------------------|-------------------|
| 2011 | 236,098 | 134,727 | 370,825 |
| 2012 | 19,708 | 68,775 | 88,483 |
| 2013 | - | 51,581 | 51,581 |
| Total | <u>\$ 255,806</u> | <u>\$ 255,083</u> | <u>\$ 510,889</u> |

The Corporation's buildings are self insured with the Government of Yukon.

In the normal course of operations, the Corporation enters into multi-year agreements for the provision of freight and other services. The total commitments as at March 31, 2010 for future years ending on March 31, 2012 is \$4,054,868.



Yukon
Liquor Corporation

